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**From:** Weaver, Brett A  
**Sent:** Wednesday, February 01, 2006 6:11 PM  
**To:** George, Gregory L; Mogen, Philip D; Foss, Troy O  
**Subject:** FW: MOPR Meeting at 4:00  
**Attachments:** MOPR.zip

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From: Van Orman, Warren R  
Sent: Monday, January 30, 2006 4:04 PM  
To: Weaver, Brett A  
Subject: MOPR Meeting at 4:00

Brett,

Attached are the documents we plan to review with you at 4:00.

Warren

**Government  
Exhibit**

32

# Microsoft

## Process Narrative Document

Narrative Name		
Puerto Rico Produced Media – Current State		
Prepared by	Date	W/P reference
Warren Van Orman	January 23, 2006	DRAFT

## Background

### 1. Overview

Currently, Microsoft manufactures 50 to 60 percent of all media (CDs/DVDs) for the Americas region in MS Puerto Rico (MSPR). MSPR produces Commercial Full Package Product (CFPP) and English-only titles for Open License, Select License and Enterprise Agreement media. Manufacturing in MSPR provides \$25M in tax benefits under §936 regime.

Originally, MSPR sold the media directly to Microsoft entities, but shipped the media to a third-party vendor (MTV), which packaged the media and made delivery to the distributor.

Microsoft has made plans to produce 100 percent of the media for the Americas region in Puerto Rico. As a result, Microsoft will be the beneficiary of significant tax savings related to producing media in Puerto Rico. To completely effect the change, Microsoft will need to convert MSPR into a CFC (MOPR, LLC), which will enter into a cost sharing agreement with Microsoft Corp. No changes will be made to the customers' interface with Microsoft, and the respective entities will sell the products to the distributors.

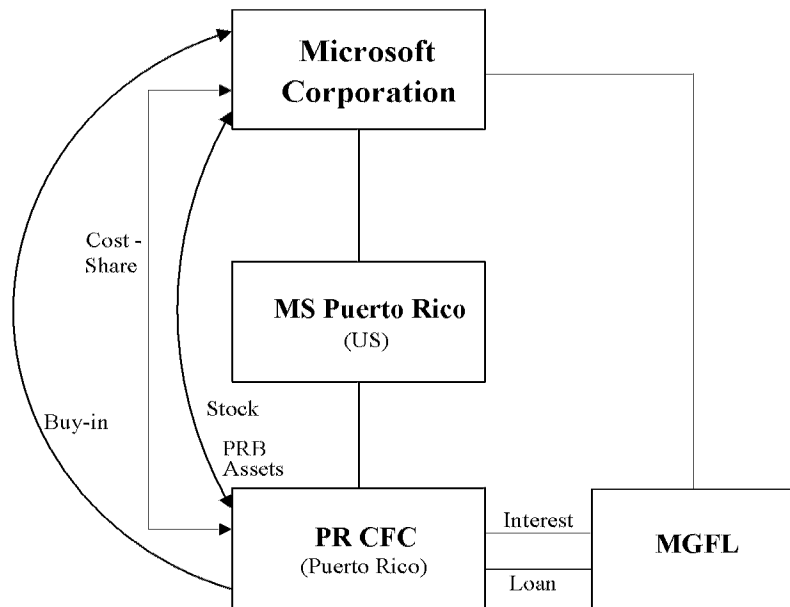
Currently, Microsoft Operations Puerto Rico (MOPR) has been created. MOPR now receives all media orders for the Americas region. MSPR produces some of the media and sells it to MOPR, which in turn sells it to Microsoft entities. MSPR delivers the media directly to the MTV for packaging and delivery to the distributor.

MOPR still uses US vendors to produce some of the media and MOPR pays Microsoft a service fee for managing the US vendor relationship. All of the Puerto Rico produced media is currently sold to Microsoft Corporate (MS Corp, 1010) and Microsoft Licensing (MSLI, 1429).

Microsoft continues to progress toward the end state of discontinuing MSPR, and using MOPR to produce all media for the Americas region. This will also include selling Puerto Rico produced media to Microsoft Business Solutions (MBS, 1500), and Microsoft Licensing Latin America (MSLI LatAm, 1449).

An off-shore replication partner (Technicolor-Guadalajara) will be used to offload excess demand and will be leveraged for business continuity and disaster recovery.

## 2. Legal Structure



## 3. Objective

The objective of this narrative is to provide a detailed outline of the current process of ordering, producing, selling, and accounting for media (DVDs, CDs, and Digital Downloads) produced in Puerto Rico. The document will be used to enhance understanding and identify the gaps in meeting the requirements of the tax code.

The documentation is broken down into the following components:

- 1) Overview – Overview of the process from beginning to end.
- 2) Supply Chain – Detailed breakdown of the supply chain process includes the order and fulfillment of orders for Microsoft products.
- 3) Recording Entries – Detailed breakdown of the process for gathering the data, calculating values, and recording the necessary JEs for the process.
- 4) Cash Settlement – Detailed breakdown of the quarterly calculation and transfer of funds and the associated journal entries.
- 5) Digital Downloads – To be determined.
- 6) Annual Reporting – Detailed breakdown of the reports required and the process of preparing annual reporting.

## 4. Key Contacts

The following are key contacts for understanding the flow of transactions for the documented process:

- **Charlene Waymire**, Finance Ops Project Manager
- **Hilda Quinones** – MOPR and MSPR Controller
- **Danra Forshey** – MSLI Accounting Manager
- **Kamila Krcilova** – Sr. Accountant, Corporate Accounting
- **Glenn Cogswell** – Director, International Tax
- **Tom Sullivan** – Manager, International Tax

- **Ted Quigley** – Sr. Program Manager
- **Michael Bateman** – Segment Manager, MSLI

## Narrative

### 1. Overview

The process overview is depicted in the flowchart in W/P \_\_\_\_\_. The process has certain variations between CFPP and Volume Licensing, which are discussed in detail in W/P \_\_\_\_\_. In the most general form, the customer will buy products from vendors. The vendors buy products in large quantities from distributors. The distributors coordinate their purchases with Microsoft Supply Chain. These orders are submitted via PO in SAP and the POs are transferred directly to the third-party packager and shipper (MTV).

The MTV will create a duplicate PO on behalf of Microsoft in SAP and send it to Microsoft's production facility in Puerto Rico (MOPR/MSPR). MOPR/MSPR will fulfill the duplicate PO by producing the media and forwarding it to the MTV. The MTV will package the product and ship it to the distributor in completion of the original PO. The distributor will report sales directly to Microsoft using Electronic Data Interchange (EDI).

The fulfillment and closing of POs in SAP will trigger auto voucher journal entries. The corporate accounting department for Microsoft will also create the remaining journal entries manually.

The corporate accounting department will also complete annual and monthly reporting to satisfy the requirements necessary to avail themselves of the tax benefits of production in Puerto Rico.

### 2. Supply Chain

**Supply Chain Overview** – The channel that a customer obtains their software through depends on the type of license being acquired (see License Overview in the detailed narrative). Microsoft does not sell software directly to the end customers. The supply chain is typically a two-tiered or three-tiered approach. A customer will interact with a vendor. The vendor will either interact with Microsoft's Supply Chain group or with a distributor/wholesaler.

When Microsoft Supply Chain receives an order, the purchase order is entered directly into SAP (Z4PO for CFPP), or into a specific software package (such as OM, UPP, MS Market, MSRAC, etc. for Volume Licensing) depending on the type product and the sales channel. The software package will ultimately be interfaced with SAP and result in a purchase order.

The third-party packager (MTV) will receive the PO directly from Microsoft via an SAP terminal or EDI. The MTV is required to use MOPR components to fill the order. The MTV will trigger the creation of a second purchase order on behalf of Microsoft in the SAP system for the media from MOPR. MOPR will receive the PO and create the associated Sales Order. The Sales Order will be created with a standard 1 percent overage. The actual manufacturing of the media is "outsourced" to MSPR. MOPR will send an order acknowledgment to the MTV so that the production schedule can be planned.

MSPR will replicate the media and send it to the MTV for packaging. When the MTV receives the shipment they will send notification that the MOPR goods are received for the second purchase order. Any differences due to damaged or defective goods will be communicated to MOPR and a resolution will be made. The MTV will package the product and ship it directly to the wholesaler/distributor. Supply Chain will record the finished goods by marking them received for the original purchase order.

An invoice will automatically be created in SAP through the autovoucher process when the goods are received from the MTV. The invoice will not include the cost of the media from MOPR). MOPR

will also invoice Microsoft for the media costs through the goods received and autovoucher process within SAP. The MTVs are also required to submit a monthly verification report.

In cases where a US Vendor is used, Microsoft will place the PO with MOPR to produce media. Microsoft will place a PO with a vendor to produce the media components. The vendor will ship to product and invoice MS for the cost of the media produced. MOPR will invoice MS for the finished product and reimburse MS for the vendor invoice.

### 3. Recording Entries

The dealings between MTV, MOPR, MSPR, and the various MS subsidiaries are recorded in one of three ways:

- i. *SAP Auto Voucher* – entries are automatically recorded when the respective line items on the POs are closed.
- ii. *IHCC System* – entries that are automatically posted by the IHCC system as funds are transferred between Microsoft entities.
- iii. *Monthly Manual Entries* – entries are calculated on various worksheets. Generally the worksheet is calculated by one individual and then is distributed to the accounting group of each of the respective entities. The accounting groups will post the entries on a monthly or quarterly basis depending on the type of transaction.

A complete detailed listing of all entries involved in the process and the individuals responsible for recording the entry is included in W/P 9 and 10 (including references for supporting documentation). The following describes each set of entries:

**Puerto Rico Produced Media** – Note: Offsetting entries may have been collapsed, and entries relative to US-produced media may have been omitted for ease of description.

- 1 MS Corp and MSLI place Purchase Order (PO) with the MTV to produce media with MOPR components
  - No entry required.
- 2 MTV places PO with MOPR to produce media and ship to MTV
  - No entry required
- 3 MOPR places Sales Order (SO) with MSPR to produce and ship media to MTV
  - No entry required
- 4 MSPR invoices MOPR for CDs produced and shipped to MTV.
  - MOPR 1652
    - Dr. Inventory
    - Cr. I/C Payable
  - MSPR 1011
    - Dr. I/C Receivable
    - Cr. I/C Sales
    - Dr. I/C COGS
    - Cr. Inventory
- 5 A. MTV records goods received from MSPR.
  - MS Corp 1010 – *SAP Auto Voucher*
    - Dr. Raw Materials (Standard)
    - Dr. PPV-Media (Variance)
    - Cr. Accounts Payable

- B. MOPR invoices MS Corp and MSLI for CDs produced and shipped to MTV.
- MOPR 1652 – *Manual Monthly Entry*
    - Dr. I/C Receivable (1010, 1429)
    - Cr. I/C Sales (1010, 1429)
    - Dr. I/C COGS (1010, 1429)
    - Cr. Inventory
  - MS Corp 1010 – *Manual Monthly Entry*
    - Dr. Accounts Payable
    - Cr. I/C Payable (1652)
    - Dr. Freight In – Raw Materials
    - Cr. I/C Payable (1652)
  - MSLI 1429 – *Manual Monthly Entry*
    - Dr. Inventory
    - Cr. I/C Payable (1652)
    - Dr. Freight In – Raw Materials
    - Cr. I/C Payable (1652)
- 6 FPP/VLO product received from MTV
- MS Corp 1010 – *SAP Auto Voucher*
    - Dr. Inventory (Standard Cost)
    - Dr. PPV – Media (Variance)
    - Cr. Accounts Payable
  - MSLI 1429 – *SAP Auto Voucher*
    - Dr. Inventory (Actual Cost)
    - Cr. Accounts Payable
- 7 MOPR invoices MS Corp and MSLI for the cost of Intellectual Property (transfer price)
- MS Corp 1010 and MSLI 1429 – *Monthly Manual Entry*
    - Dr. I/C COGS (1652)
    - Cr. I/C Payable (1652)
  - MOPR 1652 – *Monthly Manual Entry*
    - Dr. I/C Receivable (1010)
    - Cr. I/C Sales (1010)
- 8 MS Corp and MSLI pay MTV for FPP/VLO product produced
- MS Corp 1010 and MSLI 1429 – *SAP Auto Voucher*
    - Dr. Accounts Payable
    - Cr. Cash
- 9 MS Corp and MSLI pay MOPR for CDs Produced.
- MOPR 1652
    - Dr. Cash
    - Cr. I/C Receivable
  - MS Corp 1010 and MSLI 1429 – *Monthly Manual Entry*
    - Dr. I/C Payable
    - Cr. Cash
- 10 MOPR pays MSPR for CDs produced – *Monthly Manual Entry*
- MOPR 1652
    - Dr. I/C Payable
    - Cr. Cash
  - MSPR 1011

- Dr. Cash
- Cr. I/C Receivable

- 11 MS Corp and MSLI pay MOPR for the final cost of Intellectual Property (transfer price). Transaction is completed in several steps as part of the quarterly settlement

Distribution of investment in Microsoft Capital Group (MSCG) to MSLI in order to pay transfer price.

- MSCG 1533 – Quarterly Manual Entry
  - Dr. Paid In Capital – Subs
  - Cr. Cash
- MSLI 1429 – Quarterly Manual Entry
  - Dr. Cash
  - Cr. Investment in Sub

MSCG loan of funds to MS Corp in order to pay transfer price

- MSCG 1533 – Quarterly Manual Entry
  - I/C Loan Receivable
  - Cr. Cash
- MS Corp 1010 – Quarterly Manual Entry
  - Dr. Cash
  - Cr. I/C Loan Payable

Transfer of funds through IHCC to MOPR for transfer price. Note: Currently this transaction includes the transfer price offset by a Service Fee (an accrual for management fees, which is not covered as it exclusively relates to US-produced media).

- MOPR 1652 – *Quarterly Manual Entry*
  - Dr. IHCC Clearing (1541)
  - Dr. I/C Payable (Service Fee) (1010, 1429)
  - Cr. I/C Receivable (Transfer Price) (1010, 1429)
- MS Corp 1010 – *Quarterly Manual Entry and IHCC System entry*
  - Dr. I/C Payable (Transfer Price) (1652)
  - Cr. I/C Receivable (Service Fee) (1652)
  - Cr. Cash
- MSLI 1429 – *Quarterly Manual Entry and IHCC System entry*
  - Dr. I/C Payable (Transfer Price) (1652)
  - Cr. I/C Receivable (Service Fee) (1652)
  - Cr. Cash

- 12 Accrual of Cost Sharing for worldwide research and development.

- MOPR 1652 – *Quarterly Manual Entry*
  - Dr. I/C Cost Sharing (1599)
  - Cr. I/C Payable (1599)
- MELLC 1599 – *Quarterly Manual Entry*
  - Dr. I/C Receivable
  - Cr. I/C Cost Sharing

- 13 MOPR transfers funds for Cost Sharing.

- MOPR 1652 – *Quarterly Manual Entry and IHCC System Entry*
  - Dr. I/C Payable (1599)
  - Cr. IHCC Clearing (1541)
- MGFL 1541 – *Quarterly Manual Entry and IHCC System Entry*
  - Dr. IHCC EMEA LLC (1652)
  - Cr. Cash



- MELLC 1599 – *Quarterly Manual Entry and IHCC System Entry*
  - Dr. Cash
  - Cr. I/C Receivable

MELLC investment of funds received from Cost Share into MSLI and subsequent investment of funds received from MELLC into MSCG.

- MELLC 1599 – *Quarterly Manual Entry*
  - Dr. Paid in Capital – Subs (1429)
  - Cr. Cash
- MSLI 1429 – *Quarterly Manual Entry*
  - Dr. Cash
  - Cr. Investment in Sub (1599)
- Dr. Investment in Sub (1533)
- Cr. Cash
- MSCG 1533 – *Quarterly Manual Entry*
  - Dr. Cash
  - Cr. Paid in Capital – Sub (1429)

14 MOPR records accrual for Buy In.

- MOPR 1652 – *Quarterly Manual Entry*
  - Dr. I/C Royalty Expense
  - Cr. I/C Royalty Payable
- MOL 1654 – *Quarterly Manual Entry*
  - Dr. I/C Royalty Receivable
  - Cr. I/C Royalty Income

15 MOPR transfers fund for Buy In

- MOPR 1652 – *Quarterly IHCC System Entry*
  - Dr. I/C Royalty Payable
  - Cr. IHCC Clearing (1541)
  - Cr. Withholding Tax (2% withholding for tax)
- MGFL 1541 – *Quarterly Manual Entry and IHCC System Entry*
  - Dr. IHCC MOL (1652)
  - Cr. Cash
- MOL 1654 – *Quarterly Manual Entry and IHCC System Entry*
  - Dr. Cash
  - Dr. Tax Benefit (2% withholding for tax)
  - Cr. Royalty Receivable

MOL invests funds received into MSCG

- MOL 1654 – *Quarterly Manual Entry*
  - Dr. Investment in Sub
  - Cr. Cash
- MSCG 1533 – *Quarterly Manual Entry*
  - Dr. Cash
  - Cr. Paid in Capital - Sub

**US Vendor Produced Media** – Note: Offsetting entries may have been collapsed for ease of description.

16 MS Places PO with MOPR to produce media

- No Entry Required

- 17 MS places PO with vendor to produce FPP/VLO product with media components
- No Entry Required.
- 18 FPP/VLO product received from third party vendor
- MS Corp 1010, MSLI 1429, MSLI Lat Am 1449, MBS 1500 – *SAP Auto Voucher Entry*
    - Dr. Inventory
    - Cr. Accounts Payable
- 19 MOPR Invoices MS for CD cost paid to vendor
- MS Corp 1010, MSLI 1429, MSLI Lat Am 1449, MBS 1500 – *Monthly Manual Entry*
    - Dr. I/C COGS
    - Cr. I/C Payable (1652)
  - MOPR 1652 – *Monthly Manual Entry*
    - I/C Receivable
    - Cr. I/C Sales
- 20 MOPR reimburses MS for CD cost paid to Vendor
- MS Corp 1010, MSLI 1429, MSLI Lat Am 1449, MBS 1500 – *Monthly Manual Entry*
    - Dr. I/C Payable (1652)
    - Cr. I/C COGS
  - MOPR 1652 – *Monthly Manual Entry*
    - Dr. I/C Receivable
    - Cr. I/C Sales
- 21 MOPR invoice MS for cost of product IP
- MS Corp 1010, MSLI 1429, MSLI Lat Am 1449, MBS 1500 – *Monthly Manual Entry*
    - Dr. I/C COGS (1652)
    - Cr. I/C Payable
  - MOPR 1652 – *Monthly Manual Entry*
    - Dr. I/C Sales
    - Cr. I/C Receivable
- 22 MS invoices MOPR for Service Fee
- MS Corp 1010, MSLI 1429, MSLI Lat Am 1449, MBS 1500 – *Monthly Manual Entry*
    - Dr. I/C Receivable (1652)
    - Cr. I/C Service Revenue
  - MOPR 1652 – *Monthly Manual Entry*
    - Dr. Service Expense
    - Cr. I/C Payable
- 23 MS pays the net of the product IP and service charge
- See Entry 11 above.

#### 4. Cash Settlement

On a quarterly basis, cash transfers are made in settlement of intercompany payable and receivable accounts. The cash transfers are calculated by Kamila Krcilova, Sr. Accountant Corporate. Four categories of cash transfers are made:

- 1 Buy In
- 2 Cost Share
- 3 Transfer Price
- 4 Service Fee – Netted with Transfer Price

The following chart includes the specific transfers that are made:

From	To	Type	Owner	Comments
MOPR	MOL	Buy In	MOPR/Corp Acct	
MOPR	MELLC	Cost Share	MOPR/Corp Acct	
MSLI	MOPR	Transfer Price	MSLI – Danra	
Corp	MOPR	Transfer Price	Corp – Charlene	
MOPR	MSLI	Service Fee	MSLI – Danra	Net with transfer price
MOPR	Corp	Service Fee	Corp – Charlene	Net with transfer price

The entries are calculated by Kamila using the Americas Cost Share Settlement Worksheet Support document (See W/P 8). The SAP detail for the requisite accounts, the cash movements are entered in defined cells, and the summary and Journal Entries are automatically populated. The worksheet is then sent to each of the respective entities for review and posting of the entries. For specifics relative to each type of transfer, see below:

**Buy In** – The buy in represents the purchase of intellectual property from MOL by MOPR used in production of media. The amount of the buy in is calculated on a quarterly basis by XXXX and is based on XXXX. The amount is then accrued by each respective entry (see Recording Entries 14). In preparation of the cash transfer, Kamila will pull the SAP detail of the I/C Royalties Payable account for MOPR. She will pull the balance of the account and multiply by 2 percent to calculate the tax withholding. The Royalties Payable amount less the withholding is to be transferred to MOL, which will subsequently be invested into MSCG. The journal entries are populated to reflect the transaction (see Recording Entries 15).

**Cost Share** – The cost share represents MOPR paying a portion of the combined research and development of Microsoft worldwide. The entry is calculated by Trudy Ide in International Tax and posted as an accrual (see Recording Entries 12). Kamila will pull the SAP detail of the I/C Payables account for MOPR to MELLC. She will input the outstanding balance as the amount to be transferred to MELLC. MELLC will distribute the funds to MSLI (reducing MSLI's investment in MELLC), MSLI will subsequently invest the funds in MSCG (see Recording Entries 13).

**Transfer Price** – The transfer price is calculated on W/P 1 and represents the amount paid to MOPR for the product intellectual property. The amount is based on a percentage (calculated by MS International Tax) multiplied by revenue. The entries are posted by the respective entity (see Recording Entries 7). Kamila will pull the SAP detail for MOPR I/C Receivable grouped by counterparty (i.e. 1010, 1429). The detail will include one entry per month to summarize all of the MOPR activity for that month as MOPR does not have an SAP terminal and monthly transactions are totaled and uploaded into SAP. Kamila will record the amounts to be transferred based on the totals, and the actual cash flow will be netted with Service Fees (see below).

**Service Fee** – The service fee is for management of US vendors on MOPR's behalf. In the current state, not all of the MOPR media is produced in MSPR, and as such, MOPR will pay a service fee for the portions that are produced in the US. As the final process is put in place, and all media are produced in Puerto Rico, this transfer will cease. The payment is based off of the SAP detail for MOPR I/C Payable account that is pulled by Kamila. She will group and summarize by counterparty (i.e. 1010, 1429). The totals are the amounts to be transferred. As noted before, the service fee will be netted with the Transfer Price transaction.

First, MSCG will load funds to Corp to pay the transfer price. MSCG will also distribute funds back to MSLI from its investment in MSCG. Then MSLI and Corp will transfer cash to MOPR in satisfaction of I/C Payables (Service Fee) and Receivables (Transfer Price) (see Recording Entries 11).

#### **5. Digital Downloads**

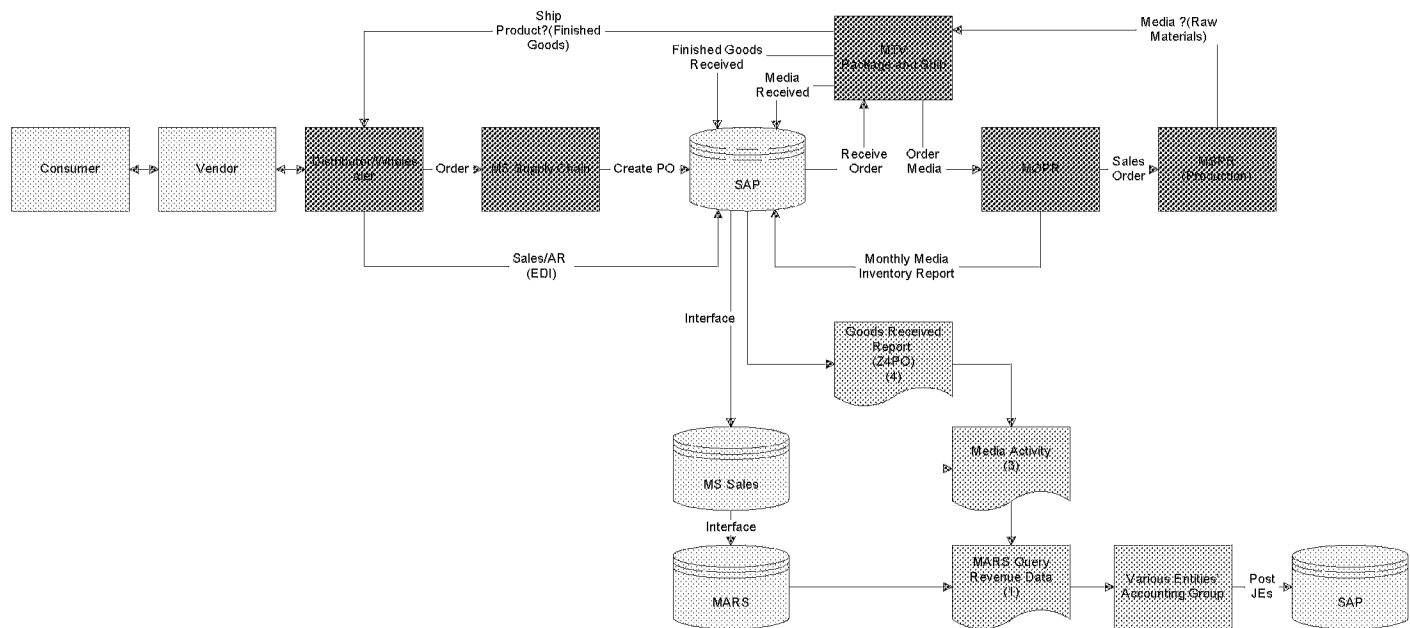
Currently unaware of any digital downloads done through MSPR or MOPR.

#### **6. Annual Reporting**

Currently, at the end of the fiscal year, a summary report is produced by MS Corp. The report uses data out of SAP and MS Sales to complete a detailed rollforward of inventory by sku grouped into Business (i.e. Client, Information Worker, etc.). See W/P 7 for a sample report and descriptions of each column's source and use. A report is prepared for MS Corp and MSLI. Both reports are sent to Glenn Cogswell of International Tax and used in preparing the tax returns for MOPR and MSPR.

Microsoft  
 Process Flow Diagram - DRAFT  
 Key Process Area: Puerto Rico Produced Media  
 Key Process: Current State High Level Overview

AF 611.1



Puerto Rico Produced Media	MSPR-1011 Primary Accounting Contact – Hilda	MOPR-1652 Primary Accounting Contact – Hilda	MS Corp-1010 Primary Accounting Contact – Charlene	MSLI – 1429 Primary Accounting Contact – Danra
	Account NameAccountTrading PartnerAmount	Account NameAccountTrading PartnerAmount	Account NameAccountTrading PartnerAmount	Account NameAccount No.Trading Partner
#1 – FPP/VLO PO: MS places PO with vendor to produce FPP/VLO product with MSPR media	N/A N/A	N/A N/A	Responsible person to place PO: Various (HED & Programs Group) No accounting entries.	Responsible person to place PO: Eric or Ast No accounting entries.
#2 – CD PO: MS places PO with MOPR to produce CDs and ship to third party vendor.	N/A N/A	Hilda receives POs from 1010, and 1429. No accounting entries.	Responsible person to place PO: Vendor from Step 1 No accounting entries.	Responsible person to place PO: Danra No accounting entries.
#3 – CD PO: MOPR places PO with MSPR to produce	Hilda receives POs from 1652.	Responsible person to place PO: Hilda	N/A	N/A
#4 – MSPR CD Invoice: MSPR invoices MOPR for CDs produced.	Poster: 1011 – Hilda I/C Receivable 125012 1652 2,760,651.80 I/C COGs 620101 1652 ?? I/C Sales 545090 1652 (2,760,651.80) Inventory 150015 ??	Poster: 1652 – Hilda Inventory 150015 2,760,651.80 I/C Payable 303000 1011 (2,760,651.80)	N/A N/A	N/A N/A
#5A – MOPR CD Received: MTV records goods received from MOPR/MSPR	N/A N/A	N/A N/A	Poster: 1010 – SAP Auto Voucher Raw Materials 150136 0.31 GR/IR 302003 (0.31)  GR/IR 302003 0.31 PPV-Media 0.23 Accounts Payable 300001 (0.54)	N/A N/A
#5B – MOPR CD Invoice: MOPR invoices MS for CDs produced and shipped to third party vendor.	N/A N/A	Poster: 1652 – Hilda I/C Receivable 125000 1010 464,781.34 I/C COGs 620101 1010 499,736.96 I/C Sales 545090 1010 (464,781.34) Inventory 150015 (499,736.96) I/C Receivable 125000 1429 2,153,764.18 I/C COGs 620101 1429 2,260,914.84 I/C Sales 545090 1429 (2,153,764.18) Inventory 150015 1429 (2,260,914.84)	Poster: 1010 – Charlene Accounts Payable 300003 464,781.34 I/C Payable 301000 1652 (464,781.34) Freight In – Raw Mat. 620036 31,380.66 I/C Payable 301000 1652 (31,380.66)	Poster: 1429-Danra Inventory 150090 I/C Payable 301000 1652 Freight In – Raw Mat. 620036 I/C Payable 301000 1652
#6A – Vendor FPP/VLO Invoice: FPP/VLO product received from third party vendor.	N/A N/A	N/A N/A	Poster: 1010 – SAP Auto Voucher Inventory 150136 1.31 PPV – Sub 620010 (1.31)  PPV-Sub 1.00 GR/IR 302003 (1.00)  PPV-Sub 0.31 GR/IR 302003 (0.31)	Poster: 1429 – SAP Auto Voucher Inventory 150090 Accounts Payable 300001
#6B – Vendor FPP/VLO Invoice: FPP/VLO product received from third party vendor.	N/A N/A	N/A N/A	Poster: 1010 – SAP Auto Voucher GR/IR 302003 1.00 Accounts Payable 300001 (1.00)	N/A N/A
#7 – MOPR Final Price: MOPR invoices MS for cost of product IP.	N/A N/A	Poster: 1652 – Hilda I/C Receivable 125000 1010 51,437,235.00 I/C Sales 545090 1010 (51,437,235.00) I/C Receivable 125000 1429 512,541,688.00 I/C Sales 545090 1429 (512,541,688.00)	Poster: 1010 – Charlene I/C COGs 620101 1652 51,437,235.00 I/C Payable 301000 1652 (51,437,235.00)	Poster: 1429-Danra I/C COGs 620101 1652 I/C Payable 301000 1652
#8 – Vendor Payment: MS pays third party vendor for FPP/VLO product produced.	N/A N/A	N/A N/A	Poster: 1010 – SAP Auto Voucher Accounts Payable 300001 Cash	Poster: 1429-Danra Accounts Payable 300001 Cash 113250
#9 – MOPR Payment: MS pays MOPR for CDs produced.	N/A N/A	Poster: 1652 – Hilda Cash 100501 499,736.96 I/C Receivable 125000 1010 (499,736.96) Cash 100501 2,260,914.84 I/C Receivable 125000 1429 (2,260,914.84)	Poster: 1010 – SAP Auto Voucher Accounts Payable 301000 1652 1.00 Cash (1.00)	Poster: 1429-Danra I/C Payable 301000 1652 Cash
#10 – MOPR CD Payment: MOPR pays MSPR for CDs produced.	Poster: 1652 – Hilda Cash 100501 2,760,651.80 I/C Receivable 125012 1652 (2,760,651.80)	Poster: 1652 – Hilda I/C Payable 303000 1011 2,760,651.80 Cash 100501 (2,760,651.80)	N/A N/A	N/A N/A
#11 – MS Final Invoice Payment: MS pays MOPR for cost of product IP (Transfer Price).	N/A N/A	Poster: 1652 – Hilda (Transmit) IHCC Clearing 125102 1541 166,300,666.59 IHCC Clearing 125102 1541 1,091,045,572.32 IHCC Clearing 125102 1541 2,477,820.44 IHCC Clearing 125102 1541 37,773,118.72 I/C Payable 301000 1010 319,740.00 I/C Payable 301000 1429 498,948.00 I/C Payable 301000 1500 47,562.00 I/C Receivable 125000 1010 (166,620,406.59) I/C Receivable 125000 1429 (1,091,544,520.32) I/C Receivable 125000 1449 (2,477,820.44) I/C Receivable 125000 1500 (37,820,680.72) – Clear IHCC Clearing for Transfer Payment	Poster: 1010 – Stephanie/Cecilia Cash 301000 168,748,487.03 I/C Loan Payable 1533 (168,748,487.03) – Record cash loan receipt from MSCG for transfer payment  Poster: 1010 – Stephanie/Cecilia I/C Loan Payable 301003 1449 2,447,820.44 I/C Loan Payable 301003 1500 (2,447,820.44) Cash (2,447,820.44) – Loan repayment Americas Cost Share  Poster: 1010-IHCC System IHCC Clearing 300081 1652 168,748,487.03 IHCC 1010 125102 1541 (168,748,487.03) – Transfer to IHCC Clearing (MOPR)  Poster: 1010 – Corp Acct I/C Payable 301000 1652 166,620,406.59 I/C Receivable 125000 1652 (319,740.00) IHCC Clearing 300081 1652 (168,748,487.03) – Clear IHCC clearing and service fee receipt	Poster: 1429-Danra Cash Investment in Sub 255000 1533 – Record funds from MSCG for transfer payment  Poster: 1429-IHCC System IHCC Clearing 300081 1652 IHCC 1429 125102 1541 – Transfer to IHCC Clearing (MOPR)  Poster: 1429-Danra I/C Payable 301000 1652 I/C Receivable 125000 1652 IHCC Clearing 300081 1652 – Clear IHCC clearing and service fee receipt
#12 – Cost Share Recording: MOPR accrues for shared R&D costs.	N/A N/A	Poster: 1652 – Hilda I/C Cost Sharing 902516 1599 237,000,000.00 I/C Payable 301000 1599 (237,000,000.00)	N/A N/A	N/A N/A
#13 – Cost Share Settlement: MOPR pays for shared R&D costs.	N/A N/A	Poster: 1652 – Hilda (Transmit) I/C Payable 301000 1599 237,000,000.00 IHCC Clearing 125102 1541 (237,000,000.00)	N/A N/A	Poster: 1429 – Danra Cash Investment in Sub 255000 1599 – EMEA Cost Share Distribution of America's Investment in Sub 255000 1533 Cash – MSLI investment into MSCG (America's Co
#14 – Buy In Recording: MOPR accrues for buy-in of intellectual property.	N/A N/A	Poster: 1652 – Hilda I/C Royalty Expens 902604 1654 1,076,090,027.00 I/C Royalty Payable 301001 1654 (1,076,090,027.00)	N/A N/A	N/A N/A
#15 – Buy In Settlement: MOPR pays for buy in.	N/A N/A	Poster: 1652 – Hilda (Transmit) I/C Royalty Payable 301001 1,076,090,027.00 IHCC Clearing 125102 1541 (1,054,568,226.46) Withholding Tax Li 362016 (21,521,800.54)	N/A N/A	N/A N/A

PDF print of the excel file produced by KPMG as the fourth Bates-numbered page of what is here marked as Ex. 32

US-Vendor Produced Media	MS Corp-1010 Primary Accounting Contact - Charlene				MSLI - 1429 Primary Accounting Contact - Danra				MSLI LatAm-1449 Primary Accounting Contact - Danra				MBS-1500 Primary Accounting Contact - Brett				MOPR-1652 Primary Accounting Contact - Hilda			
	Account Name	Account	Trading Partner	Amount	Account Name	Account No.	Trading Partner	Amount	Account Name	Account	Trading Partner	Amount	Account Name	Account	Trading Partner	Amount	Account Name	Account	Trading Partner	Amount
#1 - CD PO: MS places PO with MOPR to produce media	Responsible person to place PO: Charlene No accounting entries.				Responsible person to place PO: Danra/Eric No accounting entries.				Responsible person to place PO: Danra/Eri No accounting entries.				Responsible person to place PO: Brett No accounting entries.				Hilda receives POs from 1010, 1429, and 1500. No accounting entries.			
					\$564,166.67 (6,770,000)															
#2 - FPP/VLO PO: MS places PO with vendor to produce FPP/VLO product	Responsible person to place PO: Various (HED & Programs Groups) No accounting entries.				Responsible person to place PO: Eric or Astridannually) No accounting entries.				Responsible person to place PO: Eric or Astrid No accounting entries.				Responsible person to place PO: Brett No accounting entries.				N/A N/A			
#3 - Vendor FPP/VLO Invoice: FPP/VLO product received from third party vendor.	Poster: 1010 - SAP Auto Voucher Inventory 150136 PPV 620010 GR/IR 302003				Poster: 1429-Danra Inventory 150090 Accounts Payable 300001				Poster: 1449-Danra Inventory 150090 Accounts Payable 300001				N/A N/A				N/A N/A			
	Poster: 1010 - SAP Auto Voucher GR/IR 302003 Accounts Payable 300001				N/A N/A				N/A N/A				N/A N/A				N/A N/A			
#4 - MOPR CD Invoice: MOPR invoices MS for CDs produced.	Poster: 1010 - Charlene I/C COGs 620101 1652 1,682,142.00 I/C Payable 301000 1652 (1,682,142.00)				Poster: 1429-Danra I/C COGs 620101 1652 500,439.00 I/C Payable 301000 1652 (500,439.00)				Poster: 1449-Danra I/C COGs 620101 1652 0.00 I/C Payable 301000 1652 0.00				Poster: 1500 - Brett I/C COGs 620101 1652 62,858.00 I/C Payable 301000 1652 (62,858.00)				Poster: 1652 - Hilda I/C Receivable 125000 1010 1,682,142.00 I/C Sales 545090 1010 (1,682,142.00) I/C Receivable 125000 1429 500,439.00 I/C Sales 545090 1429 (500,439.00) I/C Receivable 125000 1449 0.00 I/C Sales 545090 1449 0.00 I/C Receivable 125000 1500 62,858.00 I/C Sales 545090 1500 (62,858.00)			
#5 - MS Reimbursement: MOPR reimburses MS for CD cost paid to vendor.	Poster: 1010 - Charlene I/C Payable 301000 1652 1,682,142.00 I/C COGs 620101 1652 (1,682,142.00)				Poster: 1429-Danra I/C Payable 301000 1652 500,439.00 I/C COGs 620101 1652 (500,439.00)				Poster: 1429-Danra I/C Payable 301000 1652 0.00 I/C COGs 620101 1652 0.00				Poster: 1500 - Brett I/C Payable 301000 1652 62,858.00 I/C COGs 620101 1652 (62,858.00)				Poster: 1652 - Hilda I/C COGs 620101 1010 1,682,142.00 I/C Receivable 125000 1010 (1,682,142.00) I/C COGs 620101 1429 500,439.00 I/C Receivable 125000 1429 (500,439.00) I/C COGs 620101 1449 0.00 I/C Receivable 125000 1449 0.00 I/C COGs 620101 1500 62,858.00 I/C Receivable 125000 1500 (62,858.00)			
#6 - MOPR Final Price: MOPR invoices MS for cost of product IP.	Poster: 1010 - Charlene I/C COGs 620101 1652 19,061,278.00 I/C Payable 301000 1652 (19,061,278.00)				Poster: 1429-Danra I/C COGs 620101 1652 66,029,145.00 I/C Payable 301000 1652 (66,029,145.00)				Poster: 1429-Danra I/C COGs 620101 1652 1,967,928.00 I/C Payable 301000 1652 (1,967,928.00)				Poster: 1500 - Brett I/C COGs 620101 1652 18,168,046.00 I/C Payable 301000 1652 (18,168,046.00)				Poster: 1652 - Hilda I/C Receivable 125000 1010 19,061,278.00 I/C Sales 545090 1010 (19,061,278.00) I/C Receivable 125000 1429 66,029,145.00 I/C Sales 545090 1429 (66,029,145.00) I/C Receivable 125000 1449 1,967,928.00 I/C Sales 545090 1449 (1,967,928.00) I/C Receivable 125000 1500 18,168,046.00 I/C Sales 545090 1500 (18,168,046.00)			
#7 - MS Service Invoice: MS invoices MOPR Branch for service fee.	Poster: 1010 - Charlene I/C Receivable 125000 1652 106,580.00 I/C Service Revenue 902505 1652 (106,580.00)				Poster: 1429-Danra I/C Receivable 125000 1652 166,316.00 I/C Service Revenue 902505 1652 (166,316.00)				N/A N/A				Poster: 1500 - Brett I/C Receivable 125000 1652 15,854.00 I/C Service Revenl. 902505 1652 (15,854.00)				Poster: 1652 - Hilda I/C Service Expense 902605 1010 106,580.00 I/C Payable 301000 1010 (106,580.00) I/C Service Expense 902605 1429 166,316.00 I/C Payable 301000 1429 (166,316.00) I/C Service Expense 902605 1500 15,854.00 I/C Payable 301000 1500 (15,854.00)			

Period: P01 FY06

Period: P01 FY06



Puerto Rico Produced Media	MSLI LatAm-1449	MBS-1500	MSCG-1533
	Primary Accounting Contact - Danira	Primary Accounting Contact - Brett	Primary Accounting Contact - Danra/Stephanie Boylan
	Account NameAccountTrading PartnerAmount	Account NameAccountTrading PartnerAmount	Account NameAccountTrading PartnerAmount
#1 - FPP/VLO PO: MS places PO with vendor to produce FPP/VLO product with MSPR media	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#2 - CD PO: MS places PO with MOPR to produce CDs and ship to third party	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#3 - CD PO: MOPR places PO with MSPR to produce	Refer to US-Vendor Produced	Refer to US-Vendor Produced	N/A
#4 - MSPR CD Invoice: MSPR invoices MOPR for CDs produced.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#5A - MOPR CD Received: MTV records goods received from MOPR/MSPR	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#5B - MOPR CD Invoice: MOPR invoices MS for CDs produced and shipped to third party vendor.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#6A - Vendor FPP/VLO Invoice: FPP/VLO product received from third party vendor.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#6B - Vendor FPP/VLO Invoice: FPP/VLO product received from third party vendor.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#7 - MOPR Final Price: MOPR invoices MS for cost of product IP.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#8 - Vendor Payment: MS pays third party vendor for FPP/VLO product produced.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#9 - MOPR Payment: MS pays MOPR for CDs produced.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#10 - MOPR CD Payment: MOPR pays MSPR for CDs produced.	Refer to US-Vendor Produced N/A	Refer to US-Vendor Produced N/A	N/A N/A
#11 - MS Final Invoice Payment: MS pays MOPR for cost of product IP (Transfer Price).	<div>Poster: 1449 - Danra</div> <div>Cash2,447,820.44</div> <div>I/C Loans1250031010(2,447,820.44)</div> <div>- Record receipt of loan repayment from Corp</div> <div>Poster: 1449-IHCC System</div> <div>IHCC Clearing30008116522,447,820.44</div> <div>IHCC 14491251021541(2,447,820.44)</div> <div>- Transfer to IHCC Clearing (MOPR)</div> <div>Poster: 1449 - Danra</div> <div>I/C Payable30100016522,447,820.44</div> <div>IHCC Clearing3000811652(2,447,820.44)</div> <div>- Clear IHCC clearing and service fee receipt</div>	<div>N/A</div> <div>N/A</div> <div>Poster: 1500 - Bret</div> <div>Cash</div> <div>I/C Loans1250031010</div> <div>- Record receipt of loan repayment from Corp</div> <div>Poster: 1500-IHCC System</div> <div>IHCC Clearing300081165237,773,118.72</div> <div>IHCC 15001251021541(37,773,118.72)</div> <div>- Transfer to IHCC Clearing (MOPR)</div> <div>Poster: 1500 - Bret</div> <div>I/C Payable301000165237,820,680.72</div> <div>I/C Receivable1250001652(47,562.00)</div> <div>IHCC Clearing3000811652(37,773,118.72)</div> <div>- Clear IHCC clearing and service fee receipt</div>	<div>Poster: 1541 - Danra</div> <div>PIC - Subs4015001429</div> <div>Cash</div> <div>- Distribute funds to MSLI for transfer payment</div> <div>I/C Loan Receiv1010168,748,487.03</div> <div>Cash</div> <div>- Loan funds to corporate for transfer payment</div>
#12 - Cost Share Recording: MOPR accrues for shared R&D costs.	N/A N/A	N/A N/A	N/A N/A
#13 - Cost Share Settlement: MOPR pays for shared R&D costs.	N/A N/A	N/A N/A	
#14 - Buy In Recording: MOPR accrues for buy-in of intellectual property.	N/A N/A	N/A N/A	N/A N/A
#15 - Buy In Settlement: MOPR pays for buy in.	N/A N/A	N/A N/A	<div>Poster: 1533 - Danra</div> <div>Cash237,000,000.00</div> <div>PIC - Sub4015001429</div> <div>- MSLI Investment into MS Capital (America's Cost Share)</div> <div>Poster: 1533 - Danra</div> <div>Cash</div> <div>PIC - Sub2550001533</div> <div>- To record receipt of capital from MOL</div>